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What are the duties of the public with respect to...

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WHAT ARE

THE DUTIES OF THE PUBLIC

WITH RESPECT TO

CHARITABLE

SAVINGS' BANKS?

A PAPER READ BEFORE

THE

DUBLIN STATISTICAL SOCIETY,

ON THE 19TH OF APRIL, 1852.

BY W. NEILSON HANCOCK, LL.D.

DUBLIN:
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1852.

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THIS society was established in November, 1847, for the purpose of promoting the study of Statistical and Economical Science. The meetings are held on the third Monday in each month, from November till June, inclusive, at 8, P. M. The business is transacted by members reading written communications on subjects of Statistical and Economical Science. No communication is read unless two members of the council certify that they consider it in accordance with the rules and objects of the society. The reading of each paper, unless by express permission of the council previously obtained, is limited to *half an hour*.

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What are the duties of the Public with respect to Charitable Savings' Banks? By W. Neilson Hancock, LL.D.

IN considering the question to which I propose to direct your attention in this paper, it will be necessary in the first instance to explain with precision the sort of institution which I mean to describe by the term, Charitable Savings' Bank.

If the Bank of England, the Bank of Ireland, or any other of our large banks opened a savings' department, and received small deposits from the poor, the new department might be called a savings' bank. In such an institution the shareholders of the bank would, to the extent of their entire property, be liable for the acts of their clerks and managers. So that the sole responsibility as to the successful management of the business would rest with the directors, and the depositors would have very large security for any sum actually paid to the clerk. Again, that part of the natural business of bankers, which consists in receiving deposits from the poor, might be undertaken by some public officers appointed for the purpose, just as the granting of money orders, another part of the same business, is carried on by the officers of the Post Office. Such an institution would be called a savings' bank. And in it, the government would be responsible to the depositors for the acts of the clerks. So that the entire responsibility of management would rest with the members of the government in charge of that department, and the depositors would have perfect security for any money actually paid to a clerk.

Here then are two kinds of savings' bank, a joint stock savings' bank, and a government savings' bank. But the sort of institution to which I am about to direct your attention, is quite distinct from these in some essential characteristics. In the charitable savings' banks which now exist in the United Kingdom, the responsibility of management is divided between the department of government which has charge of the reduction of the national debt, and the charitable managers;* and neither the government nor the managers are necessarily liable for the acts of their clerks. And the question I propose to discuss is, what is the duty of the public with regard to such institutions?

Charitable savings' banks are of very recent origin; the first having been established since the commencement of the present century in one of the suburbs of London. The parties managing the earliest institutions were, like private bankers, liable to the extent of their whole property to the depositors, for their own acts or for the acts

* For conciseness I frequently use the term *managers* only, but in every savings' bank there are *trustees* as well as managers, and in all my observations in this paper I include trustees under the term managers.

of their clerks. In 1817, these institutions had made such a favourable impression on public opinion, that it became part of the policy of the legislature to promote their formation. And accordingly, in that year, an Act was passed for Ireland (57 Geo. III., c. 105), entitled "An Act* to encourage the Establishment of Banks for Savings." Subsequent Acts were passed in 1818, 1821, and 1825, but were repealed in 1829, by the Act which has in most particulars regulated these institutions since that time; it is entitled, "An Act to consolidate and amend the laws relating to Savings' Banks."

The objects of the legislature, in encouraging these institutions, is very simply and plainly stated in one of the recitals in this Act:—"Whereas certain banks for savings have been established in England and Ireland, for the *safe custody* and increase of small savings belonging to the industrious classes of his Majesty's subjects, and it is expedient to give protection to such institutions and the funds thereby established, and to afford encouragement to others to form the like institutions." By this Act, the divided responsibility in the management appears very clearly. The managers have the appointment of the clerks; they have the receipt and payment of the deposits; but in lending the money their power is restrained, for they are prohibited from lending it to any other persons than the Commissioners for the reduction of the National Debt. The entire management of the money so lent, in investing it in the funds, in selling out, and in paying interest to the managers, is given to the Commissioners. The Commissioners, again, have power to require an annual account from the managers, to issue orders to them, and to stop any bank that does not furnish accounts and obey orders; so that there is as distinct a case of divided responsibility as can be conceived. Considerable doubts have arisen on the construction of this Act, as to the exact nature and extent of the authority of the Commissioners over the managers. But that they have some authority, involving, as all authority does, some responsibility, never could be and never has been for an instant doubted.

As to the liability of the government for the acts of the clerks, it is plain that these clerks being appointed by the managers are their servants, and not the servants of the government; that consequently the government, though liable for any money actually invested in the names of the commissioners, is not legally liable for any money paid to a clerk or manager, but not invested by him; and so it seems always to have been considered, that the government is not legally liable for the acts of the clerks of the savings' banks. What is the extent of the moral liability of the government, I shall have occasion to investigate in a subsequent part of this paper.

As to the liability of the managers for the acts of the clerks, we have seen that at the original formation of savings'

* A similar Act was passed for England in the same session, 57 Geo. III., c. 130.

banks, the managers were liable for their clerks to the extent of their whole property. Whether from the original formation till 1829, any change took place in respect to the liability of managers, I have not ascertained. But in 1829 their liability was limited to their own acts, and to anything they did in cases where they were guilty of wilful neglect or default. In the cases of Killarney and Tralee, awards were made against the managers under this provision of the law, in cases where, owing to their wilful neglect or default, the clerks were enabled to embezzle money. In the Act for the formation of regimental or military savings' banks (5 & 6 Vic., c. 71), passed in 1842, a similar provision was introduced for limiting the liability of managers, and the law respecting their liability continued in the same state from 1829 till 1844, when a most important change took place.

In 1844 an Act was passed (7 & 8 Vic., c. 83), which provided that no manager should be liable to make good any deficiency which might thereafter arise in the funds of any savings' bank, unless he had declared in writing that he was willing to be liable. He might limit his liability, but he was declared personally responsible for all moneys actually received by himself and not applied. Here, then, an entirely new principle was introduced, that no matter what the neglect or default of the managers might be, they were not to be liable unless they had actually pocketed the money themselves, or unless they had stated that they were willing to be liable. Under the Act of 1844, the managers of the Killarney and Tralee banks, though guilty of as great neglect and default in respect of deposits received after the passing of this Act, as in respect of those received before 1844, were freed from liability in respect of the later deposits, although awarded to pay the earlier ones. Such is the state of the liability of managers of English savings' banks at the present day. They are not liable for their clerks at all, unless they choose to be so; and if they choose to be liable, they are not liable for a larger sum than they are willing to state.

After the passing of the Act of 1844, the savings' banks of Tralee, Killarney, Mallow, and Cuffe-street in Dublin, stopped payment. An investigation took place, both by the barrister who has charge of savings' banks, and by a Committee of the House of Commons; and the law respecting the liability of managers was changed once more. By an Act (11 & 12 Vic., c. 133) passed in 1848, for two years only, the previous exemption from liability was repealed with respect to Irish savings' banks, the liability for wilful neglect or default was restored, but it was provided that a manager might limit his liability by written instrument to any sum not less than £100. Since the passing of the Act of 1848, failures have taken place at Rochdale, Scarborough, and other places in England; but although it was last year renewed for two years more, it has not been extended to England. Under the Act of 1848, the whole extent to which the Irish managers are liable for their clerks, is in case of wilful neglect and default on their own part, to the extent

of £100 each, or such larger sum as they may name. So it is manifest that our savings' banks fulfil the description I have given of them. The responsibility of management is divided between the managers and the commissioners; and neither the government nor the managers are at all responsible for the acts of the clerks—unless the managers are guilty of wilful neglect or default; and even then the liability of Irish Managers is limited to such sum not less than £100 as they shall name, and English Managers are free from all liability unless they choose to make themselves liable.

Having thus explained the nature of these institutions as to management and liability, I have next to notice the objects for which they were founded, and to inquire how far they are calculated to attain these objects. There are few institutions that have received a larger amount of praise and commendation than savings' banks. But the two objects which seem to have had most influence in securing the co-operation of the wealthier classes as managers, are the encouragement of saving habits amongst the poor, and the increase of stability of our political institutions, by giving the poorer classes an interest in the preservation of public credit. The first of these objects is stated by M'Culloch. In his "Statistics of the British Empire," he says, "Savings' Banks are very valuable institutions, and are eminently entitled to public patronage and support. The want of a *safe* place of deposit for their savings, where they would yield them a reasonable interest, and whence they could withdraw them at pleasure, has formed one of the most serious obstacles to the formation of a habit of accumulation amongst labourers." Again he adds, "They now feel assured that their savings, and the interest accumulated upon them, will be *faithfully preserved* to meet their future wants." From this it is manifest, that the whole success of savings' banks, as a means of encouraging a habit of saving, depends on their affording a perfectly safe place of deposit, and on their being so managed as to warrant the labouring classes in believing that their money is faithfully preserved for them. It is equally plain that savings' banks will not make the poor more careful of the public credit, unless the public credit is strictly observed towards themselves: in other words, unless their deposits, in institutions where the government has a share in the management, are perfectly safe. The whole success of savings' banks, the probability of their attaining the objects for which they have been established, the benefit that they can possibly confer on the community, all depend on the security which the depositors have for their money.

The simplest way of testing that security will be, to take the history of a case that has happened within our own time in this city, the facts respecting which were made public by the Report of a Committee of the House of Commons. In 1818, the St. Peter's Parish Savings' Bank was established in Cuffe-street, in Dublin, and a Mr. Dunne, the parish sexton, was appointed cashier and book-keeper at a salary of £5. The trustees and managers of the

bank included some of the most influential and respectable of the inhabitants of Dublin. The late Archdeacon Torrens was a trustee and security for Mr. Dunne; the late Judge Johnston was also a trustee; and the present Lord Chief Justice, then Sergeant Lefroy, was another.* Under such influential patronage, the bank rose in importance, and large sums of money were lodged, which must have amounted in 1831 to upwards of £100,000.

In 1826, one of the managers began to suspect that all was not right, and that Mr. Dunne was making away with some of the money. A dispute then commenced in the committee of management as to Mr. Dunne's character, and it took the committee exactly five years to ascertain whether Mr. Dunne was worthy to be trusted or not.

In February, 1831, the defalcation was finally discovered, in the manner described by one of the managers: "I think the board came to the decision that Mr. Dunne should not be continued, after an immense deal of battling for a year or two, and I think Mr. Dunne was got to resign: he had not many days resigned, before an account came in, a pass-book came in for payment, and on investigating and comparing it with the ledger, it was found to be closed in the ledger though open in the pass-book, and Mr. Dunne then suddenly absconded." The first step the managers took on this event was a very proper one; they issued a notice of the actuary having absconded, and called on the depositors to produce their books. A number of claims at once appeared. They at first thought the defalcation would amount to £1000; they soon found it to exceed £2000.

The managers then proceeded to consult the Commissioners for reducing the National Debt, as to what they should do. They drew up a statement of what had happened; asking the commissioners for advice and assistance; suggesting that a commissioner should be appointed to inquire into the management of the bank, and the cause of the frauds, and either remodel or close the bank. This statement one of the managers took to London, and on waiting on the secretary of the commissioners, was referred by him to Mr. Tidd Pratt, the barrister appointed to certify the rules of savings' banks, and to be judge of disputes between depositors and managers. This gentleman then filled, and still fills, an office in which judicial and executive functions are very unwisely mixed together. The managers applied to him in his executive capacity, as law adviser of the commissioners as to savings' banks; he entertained their

* As the name of the Archbishop of Dublin appeared for some time amongst the list of patrons, it was supposed by many that Archbishop Whately had been connected with the Cuffe-street Bank. His Grace however stated at the meeting of the Statistical Society that he had never been connected with it, and that when he was told that credit had been obtained from the impression of his sanction, he took the earliest opportunity of disabusing the public of the error, by explaining that it was his predecessor who had been a patron.

application in his judicial capacity; and offered to decide any disputes between the managers and the depositors, many of which had arisen as to the rights of parties who had entrusted their money to Mr. Dunne, but which had not been duly lodged by him. Mr. Pratt accordingly came over to Dublin in his judicial capacity, and awarded £7,500 to be paid by the managers. He also awarded that £4,274 claimed was not a legal charge against the managers, as that amount had been lodged with Mr. Dunne out of the bank, and out of bank hours. Taking a strictly judicial view of his duties, Mr. Pratt did not decide whether the managers had been guilty of wilful neglect or default, as that question was not directly raised. But though in this essential point he confined himself to acting in his judicial capacity, he volunteered advice in his executive capacity, firstly, that the £4,274, which was not a legal charge on the funds of the institution, should be paid out of future profits; and secondly, that the managers ought to carry on the bank, as the future surplus would realize enough to pay all deficiencies. These opinions were given by Mr. Pratt, although it was stated to him that the bank was insolvent, and although no account had been furnished for two years as required by Act of Parliament. They were given, too, without any accurate inquiry into the state of the affairs of the bank; as he took the statement for 1828, without seeming to have been aware that it was not the statement for 1830. Mr. Pratt seems to have had the greatest objection to extra judicial inquiries; and when asked why he did not enquire into the neglect or default of the managers, or into the state of the affairs of the bank, he puts forward the plea that these points were not raised by the depositors: but he seems to have had no objection to give extra-judicial opinions on points that he should not have advised on without the most anxious and careful inquiry. From the superficial inquiry Mr. Pratt made into the concerns of the bank, he was under the impression that the defalcations did not exceed £4,000; and as the bank had made £3,500 from 1818, and as Mr. Dunne's sureties were liable for £1,000 more, he thought he was warranted in the advice he gave. The bank was accordingly carried on; and the managers, no doubt with a view of gaining confidence, did not wait for the future profits, but at once paid out of incoming deposits the £4,274 which Mr. Pratt had decided was not a legal charge. They also, with a view to keep up their credit, omitted to post in the office the annual statement of accounts, as required by the Act of Parliament, from 1831 till 1848. These accounts they furnished annually, however, to the Commissioners for the reduction of the National Debt; showing, after 1832, in every year a deficiency. The managers had asked Mr. Tidd Pratt whether the commissioners would receive the accounts short, and he said they would.

From 1831 till 1838, the defalcations of Mr. Dunne gradually came to light; and instead of the £2,000 supposed by the managers, or the £4,000 conjectured by Mr. Pratt, these defalcations turned

out to have been to the extent of about £25,000; for in that year the annual funds of the bank showed a deficiency of about £25,000. How a parish sexton could have spent £25,000 in thirteen years, without being detected, is a matter of surprise.

Mr. Tidd Pratt seems to have considered it to have been no part of his dutics, to inquire into the effect of his advice about carrying on a bank actually insolvent, or else only of doubtful credit. Had he done so, he would have learned that the grounds of his advice, the debts being only £4,000, had no existence; for that the bank was actually, in consequence of his advice, becoming more insolvent every year.

However, it continued in public confidence, with a very respectable list of trustees, till 1845. The managers, who did not post the annual accounts, were conscious of a wilful neglect of duty in not doing so; and as long as their liability depended on the Act of 1829, they were afraid of Mr. Tidd Pratt awarding the deficiency against them on this ground. When the Act of 1844 passed, relieving the managers from all liability, even in case of wilful neglect, one of them, to the great horror and indignation of his brother managers, divulged the important secret that the bank was insolvent. Immediately a desperate run was made on the bank. The managers were restricted by Act of Parliament from drawing more than a certain sum in one cheque, and notices had been served on them to the extent of £50,000, and the bank would only advance £30,000. In this emergency, they applied to the Commissioners for the reduction of the National Debt, and to the then Chancellor of the Exchequer, Mr. Goulburn, stating that they were insolvent, and had long been so with the knowledge of government, and applying for leave to draw £50,000 in one week. This leave was granted, and after paying away upwards of £200,000, the run ultimately ceased, and the managers had still about £60,000 in hands.

When the bank did not break, many of the depositors re-invested their money; and as many of them, in doing so, invested the whole of their savings in one sum, although exceeding £30, Mr. Pratt in his awards decided that this violation of the rules excluded them from any claim for the amount by which any re-investment exceeded £30.

Although the Chancellor of the Exchequer was aware of the insolvent state of the bank in 1845, he allowed it to go on; the poor replaced their deposits, till the eventful year of 1848, so perilous to many unsound institutions. In that year another run took place, and the managers paid away till they had only £90 in their coffers, leaving a loss of £60,000 to the depositors.

The managers sheltered themselves under their legal limitation of liability granted by the Act of 1844, and as most of the deposits had been put in after the run in 1845, this was a protection to them. The managers said they were not morally responsible, because it was the advice of Mr. Tidd Pratt, in 1831, that induced them not to wind up then. It was the £20,000 granted in 1845, by the

Chancellor of the Exchequer, that enabled them to go on in 1845; therefore the government were responsible.

The government said they were not responsible; that they relied on the managers; that Mr. Tidd Pratt was a judicial and not an executive officer; that the advice he gave in 1831 was extra-judicial, and the managers were not bound to follow it. While the doubt remained as to which party was responsible, the poor depositors suffered.

"Quidquid delirant reges, plectuntur Achivi."

Some had to seek the shelter of the workhouse; some died of want or of distress of mind at their loss. In the year 1848, after the failures of 1846 and 1847, in the midst of distress, £60,000 was a large sum for the labouring classes of Dublin to lose; besides the shock to credit, and the uncertainty to all others where to place their money.

The subject was taken up by parliamentary committees; and lengthened investigations as to who was to blame, and who was responsible; and in 1851, the depositors received, by a vote of the House of Commons, 10s. in the pound. £30,000 was distributed, but the remaining £30,000 is still unpaid; and notwithstanding the hopes held out by the strong opinions on this subject so honourably put forward by the Attorney-General for Ireland, a motion for a further vote of £30,000 has been rejected by the House of Commons in the present session of parliament.

I have stated the case of the Cuffe-street Savings' Bank as concisely as I could. I have exaggerated nothing. And I ask any one who learns the facts of that case, can he doubt that the division of responsibility between the government and the managers is unwise, and is extremely dangerous to the security of the depositors? And I ask further, can he doubt that in savings' banks as now constituted, with neither the government nor the managers liable, the depositors have not such a reasonable amount of security, as to warrant any man of common prudence in advising his poor neighbours to invest their money in these banks? The whole question of savings' banks really turns on this point. What security has any depositor that the bank will not fail? Let us examine the nature of the alleged securities:—

1. The character of the clerks.
2. The security given by the clerks.
3. The character of the managers and trustees.
4. The liability of the managers and trustees.
5. The auditors appointed in Ireland.
6. The accounts being published.
7. The balances being published.
8. The accounts being sent to the Commissioners for the reduction of the National Debt.
9. The moral responsibility of the government.
10. The system of checks is such that fraud cannot take place.

I have thus enumerated every possible ground of security.

As to the character of the clerks. What clerk could have a higher character than the Cuffe-street defaulter? The Archdeacon of Dublin and others were security for Mr. Dunne to the extent of £1,000. In Rochdale, the actuary bore such a high character, that he was going to get a public funeral. So that the character of the clerks affords no security.

But secondly, as to the security given by the clerk. In the case of the Cuffe-street Bank, he gave security for £1,000, and embezzled £20,000. The deficiency at Killarney was £20,000; at Tralee, £34,000. Therefore, compared with these sums, clerks' securities, amounting to £1,000 or £2,000, are delusive and nugatory.

Thirdly, as to the character of the managers and trustees. Those of the Cuffe-street Bank, of Killarney, and Tralee, and of nearly every bank that has failed, have uniformly been men of fair or even high general character: so that the character of the managers and trustees is no protection.

But fourthly, the liability of the managers and trustees. This need not in any case exceed £100 each in Ireland, and need not amount to any sum at all in England. In the Abbey-street Savings' Bank in Dublin, there are forty-one trustees and managers; so that the whole security the depositors necessarily have is £4,100. What security would that afford, with a loss like £60,000 in Cuffe-street?

But fifthly, in Ireland we have the auditors to check the accounts. What security does this afford? The auditors are in exactly the position of Mr. Tidd Pratt. They may take some fanciful notions of their duties. They may think they are bound, above all things, to keep up the credit of the institutions by which they are paid and supported. They may only look at matters brought before them; they may perform their duty in words, but wholly disregard the spirit of their duties. They may overlook any fraud that is not made so manifest that it can be no longer concealed. After the conduct of Mr. Tidd Pratt in 1831, what security is there that any auditor will not advise trustees to carry on an insolvent concern, to pay deficiences out of future profits, and will not overlook the non-publication of the accounts?

Sixthly: But the accounts must be published. Certainly the law requires this; but the managers of the Cuffe-street savings' bank disobeyed the law for seventeen years without rebuke, and what security is there that the accounts are true? How can we be certain that managers who, from motives of expediency suppress the publication of accounts contrary to law, will not sanction the publication of false accounts? For after all, what is the moral difference between producing the false impression of stability and solvency by the suppression of accounts, and producing the same effect by a set of false accounts?

Seventhly: Again, the annual publication of the balances on the

account of each depositor, has been resorted to in some banks as a security. At best it is only a delusive security; for immediately after publication, fraud can commence by drawing out on false pass-books, even if the balances be correctly published. There is no security that they will be correct, and will not be prepared to keep what the managers of the Cuffe-street bank called "the secret."

Eighthly: As to the accounts being sent to the Commissioners for the reduction of the National Debt, the Cuffe-street accounts were sent for seventeen years, showing in each year a deficiency; and yet nothing was done. The secretary of the commissioners was writing to the managers year after year about mistakes in addition, but nothing about the bank being insolvent. The Chancellor of the Exchequer knew all about the insolvency of the bank in 1845; yet he relaxed the law to enable it to carry on business.

It has been said that in savings' banks there is government security; the government if not legally are morally responsible for them, and the money deposited is therefore safe. There is no argument which has had more injurious effects in the management of savings' banks, than this one about government security. The managers have government security for the money belonging to the savings' bank, which they invest; but the depositors have only the managers and clerks to look to, and the liability of both these parties is limited. It might as well be said that the holders of Bank of England notes have government security, because the bank is compelled to lend to the public £14,000,000 on the public credit. And yet officers are advised by the war office to explain to pensioners, how desirable it is that they should put money in the savings' banks, because for whatever sums they may lodge there, government security will be afforded them for repayment, with interest. Nay, in the reading books of the national schools in Ireland, the same fallacy is taught. It is said, "When a poor man has saved up a little money, he generally puts it into the funds, as it is called; or deposits it in a savings' bank, which does this for him. He is then one of the government creditors and receives his share of the taxes." Now, as I have already said, the depositors have not legally any thing to look to, but the securities given by the clerk, and the limited liability of the managers and trustees. How delusive that is the Cuffe-street bank shows; and the same case shows, that under the strongest circumstances the moral responsibility of the government is to be estimated at ten shillings in the pound.

But the last security is the one most relied on by the managers of some banks; a perfect system of checks has, it is said, been devised, so that fraud is impossible. Now the receipt of money, and the entering of the receipt, and the payment of the money to the commissioners, are not mere mechanical operations. Human agency is required at every step, and every system of checks that can be devised must rest on human agents to carry it into effect. To secure the performance of actions by human agents, three forces commonly operate: 1st. A moral sense of duty; 2nd. A fear

of large pecuniary loss from liability in case of non-performance; and 3rd. A fear of judicial punishment if non-performance be made a penal offence. In the case of Charitable Savings' Banks, the sense of duty on the part of the managers is entirely weakened by the division of responsibility between them and the government. Their own consciences told some of the managers of the Cuffe-street bank, that they ought to close the bank in 1831. Mr. Pratt told them to carry it on; they thought this shifted the moral responsibility from themselves to Mr. Pratt; and in violation of their duty they carried it on. The fear of loss and of punishment is almost entirely taken from the managers of savings' banks, by the limitation of liability extended to them by the legislature. So that in these institutions there is an absence of both moral and legal guarantees, for any system of checks being carried out. Without such guarantees, a system of checks only holds out a false security to delude the depositors. What checks could be more simple or more effectual than those in use at Cuffe-street, a publication of accounts, a transmission of accounts to public commissioners; yet the first was not carried out by the managers; the second was not understood by the commissioners, for they seem to have considered that the accounts were sent merely to check the dealings between them and the managers, and not between the managers and the public. If these simple checks are not carried into effect, what hope is there that a more complicated system would be successful. What greater check against insolvency could there be, than its existence being known for years to a whole body of managers, all men of the highest standing and respectability—known to the barrister specially appointed to examine the rules of savings' banks—known to Mr. Goulburn when Chancellor of the Exchequer; and yet all these parties allowed the insolvent bank to be carried on.

When it thus demonstrated that depositors have no real security in charitable savings' banks, the question naturally arises, what is the duty of the public with respect to these institutions?

The *first* duty I would venture to point out is, that those who propose either by direct advice, or by the implied advice arising from their being managers or trustees, to induce poor people to entrust their money to these institutions, should in the first instance try and understand what security they advise the people to trust to: try and understand how deeply responsible they are, if they give false information as to the nature of that security, or if they give foolish advice as to the extent to which the poor should trust to the limited security that really exists.

The *second* duty is equally plain, for every trustee and manager to do his best to have the bank he is connected with wound up, and the depositors paid off. If he cannot within a reasonable time persuade his co-trustees or co-managers to wind up the bank, then he ought to resign. Such was the conduct of one manager of the Cuffe-street bank in 1833. "I resigned," said he, "for I made up my mind never to have anything to say to savings' banks

as long as I lived; I saw the defects of the law too plainly, to have anything more to say to them." The peremptory duty of trustees and managers to wind up each bank, as soon as convinced of the instability of these institutions, is shown by the case of the Cuffe-street bank. Had the managers closed that bank in 1831, they would have had £96,000 to pay £115,000; so that each depositor need only have lost 20 per cent., and the whole loss would have been only £20,000. Had they stopped in 1845, they would have had £260,000 to pay £320,000; and the loss to each depositor would have been only 20 per cent., though the delay had increased its amount from £20,000 to £60,000. But by continuing on till 1848, they had only £90 to pay £60,000, and the loss to each depositor was total. Had they stopped in 1831, they would have had the consciousness of upright conduct, of the loss having taken place without their being morally responsible for it; of the people having all trusted the man who had deceived them; of the loss falling on the very parties who had trusted this man. But by delaying, they involved themselves in the moral disgrace of concealing their insolvency from the public; of inducing the poor to deposit in a bankrupt concern; of using these deposits to pay £4,000 that had been awarded as no legal claim on the bank; of using these deposits to build a bank; of carrying on a system of secrecy and deception for seventeen years; and the effect of all this disregard of duty was to increase the loss from £20,000 to £60,000; to shift it from those who had trusted Mr. Dunne from 1818 to 1831, to those who had trusted the managers and trustees between 1845 and 1848.

The *third* duty is, that of the public as *legislators*.

The business of savings' banks is really a species of trade, being part of the trade of banking. These institutions are neither more nor less than banks of deposit for the poor; and before the legislature encourages their formation by charitable or government interference, an inquiry should be made, why this business has not been taken up by private enterprise? When there are banks of deposit for the rich, why are there none for the poor? Such an inquiry would show that the present state of the usury laws, of the laws respecting pawnbroking, and of the laws of debtor and creditor, prevent the formation of banks of discount for the poor, and consequently prevent the formation of banks of deposit; the banks of discount being the banks of deposit for the rich. In like manner, the impediments to the repayment of deposits to parties under disabilities, and to the legatees and next of kin of depositors where the sums are of small amount, have all been taken away in the case of charitable savings' banks, but all retained in the case of private banks of deposit; and the directors of several joint stock banks have stated their willingness to take up the trade of receiving deposits from the poor, if these impediments be removed. In Scotland, where the law is different, the savings' banks have never made much progress, and the deposits in the joint stock banks are more extensive than in this country.

The laws respecting judgments and loans on personal security, and the laws respecting mortgages and loans on the security of land, are in such a state as to afford a complete barrier to the safe investment of small sums in the natural savings' banks, provided in every country by the existence of property in land, which the owner might be enabled to mortgage for the smallest amount and at the most trifling expense.

Again, the mode of managing the transfer of the public debt in the Bank of England and Bank of Ireland suggests an inquiry, whether some plan might not be devised for enabling the funds to be transferred, and interest to be paid on them in every large town in the kingdom.

If it be found, after giving private enterprise a fair trial, that banks of deposit for the poor are not established, then would arise the question, whether the business is one that government ought to undertake, in the same manner as the money-order business at the Post Office. My own impression is, that if our laws were framed with a view to allow of small deposits and small investments, private enterprise is quite adequate to supply a complete system of safe investment for the poor. But whether that opinion be sound or not, there can be no doubt that a government institution like the money-order office, with government officers and government security for those officers, would be infinitely better than the present system of charitable savings' banks, with divided responsibility and absence of security.

It is plainly the duty of the public as legislators, then, to see that no legal impediment exists to the formation of banks of deposit, or to the creation of safe investments by private enterprise; to provide for the formation of either government banks or private banks, with the security of unlimited liability for the acts of all officers, and to put an immediate stop to the present half-charitable, half-government institutions, where security is taken away by the limitation of liability.

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TITLE